

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS,
EASTERN DIVISION

In re:)	
)	Chapter 11
NATIONAL STEEL CORPORATION,)	
et al.,)	Case No.02-08713
)	(Jointly Administered)
)	
Debtors.)	Judge John H. Squires

SETTLEMENT AGREEMENT

WHEREAS, on or about March 6, 2002, the Debtors herein filed a petition for reorganization under Chapter 11 of Title 11 of the United States Code, 11 U.S.C. § 101, et seq., as amended (the "Bankruptcy Code"); and

WHEREAS, on or about November 6, 2002, the United States, on behalf of the Environmental Protection Agency (the "EPA"), filed Proofs of Claim against National Steel Corporation and its subsidiaries Granite City Steel Company, Great Lakes Steel Corporation, Midwest Steel Corporation, and The Hanna Furnace Corporation (collectively, the "Debtor");

WHEREAS, the proofs of claim assert a claim, pursuant to the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA"), 42 U.S.C. § 9601 et seq., for at least \$115,565 for unreimbursed environmental response costs incurred by the United States at the Abby Street/Hickory Woods Subdivision Site located in Buffalo, New York (the "Abby Street Site"), and for response costs incurred in the future by the United States at the Abby Street Site;

WHEREAS, the proofs of claim asserts a claim, pursuant to the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA"), 42 U.S.C. § 9601 et seq., for at least \$5,200 for unreimbursed environmental response costs incurred by the United States at the Rasmussen Dump Site located in Green Oak Township, Michigan (the "Rasmussen Site"), and for response costs incurred in the future by the United States at the Rasmussen Site;

WHEREAS, the proofs of claim asserts claims pursuant to the Clean Air Act, 42 U.S.C. §

7401 et seq., the Clean Water Act, 33 U.S.C. § 1251 et seq., the Toxic Substances Control Act, 15 U.S.C. § 2601 et seq., the Resource Conservation and Recovery Act, 42 U.S.C. § 6901 et seq., the Emergency Planning and Community Right-to-Know Act, 42 U.S.C. § 11001, and CERCLA for at least \$27,500 per day of violation for civil penalties;

WHEREAS, certain of the claims pertaining to the Granite City, Illinois facility were resolved pursuant to the terms and conditions of a Consent Decree entered in The United States of America and State of Illinois v. National Steel Corporation, Case No. 03C 3338 (D.Ct. N.D. of Ill.) (the "Consent Decree");

WHEREAS, the proofs of claim were asserted as general unsecured claims; and

WHEREAS, the parties hereto, without admission of liability by any party, desire to settle, compromise, and resolve the EPA Claims;

NOW, THEREFORE, in consideration of the mutual promises contained herein, and for other good and valuable consideration receipt of which is hereby acknowledged;

IT IS HEREBY STIPULATED and agreed to by and between the parties hereto, subject to approval by the Bankruptcy Court, as follows:

- i. The EPA claims shall be allowed as an Unsecured Claim in the amount of \$115,565 in response costs for the Abbey Street Site, \$5,200 in response costs for the Rasmussen Site, and \$2,100,000 in civil penalties, and paid as an NSC-6 Unsecured Claim without discrimination in accordance with the terms of the First Amended Joint Plan of Liquidation of National Steel Corporation and its Affiliated Debtors and Debtors in Possession, dated August 20, 2003, and the United States will be deemed to have withdrawn the EPA Claim for any amount in excess of \$2,220,765.
- ii. Payment on the claim for response costs for the Abbey Street Site shall be made by Electronic Funds Transfer ("EFT" or wire transfer) to the U.S. Department of Justice lockbox bank, referencing DOJ No. 90-11-3-07887, Site No. 02NV, in

accordance with instructions provided by the United States to the Debtor after execution of this Settlement Agreement. Any EFTs received at the U.S. D.O.J. lockbox bank after 11:00 A.M. (Eastern Time) will be credited on the next business day.

- iii. Payment on the claim for response costs for the Rasmussen Site shall be made by Electronic Funds Transfer ("EFT" or wire transfer) to the U.S. Department of Justice lockbox bank, referencing DOJ No. 90-11-3-281A and Site No. 05B4, in accordance with instructions provided by the United States to the Debtor after execution of this Settlement Agreement. Any EFTs received at the U.S. D.O.J. lockbox bank after 11:00 A.M. (Eastern Time) will be credited on the next business day.
- iv. Payment on the claim for civil penalties shall be made by Electronic Funds Transfer ("EFT" or wire transfer) to the U.S. Department of Justice lockbox bank, referencing DOJ No. 90-11-3-07887/1, in accordance with instructions provided by the United States to the Debtor after execution of this Settlement Agreement. Any EFTs received at the U.S. D.O.J. lockbox bank after 11:00 A.M. (Eastern Time) will be credited on the next business day.
- v. Only the amount of cash received by EPA (or net cash received by EPA on account of any non-cash distributions) from the Debtor under this Settlement Agreement for EPA's allowed Unsecured Claim, and not the total amount of the allowed claims for response costs at the Abbey Street and Rasmussen Sites, shall be credited by EPA to its account for the Site, which credit shall reduce the liability of non-settling potentially responsible parties to EPA for each Site by the amount of the credit.
- vi. In consideration of the payments or distributions that will be made by the Debtor under the terms of this Settlement Agreement, and except as provided in

paragraph vii, the United States covenants not to bring a civil action or take administrative action against the Debtor pursuant to Sections 106 and 107 of CERCLA and Section 7003 of RCRA relating to the Abby Street and Rasmussen Sites. This covenant not to sue is conditioned upon the complete and satisfactory performance by the Debtor of its obligations under this Settlement Agreement. This covenant not to sue extends only to the Debtor and does not extend to any other person.

- vii. The covenant not to sue set forth in the previous paragraph does not pertain to any matters other than those expressly specified in the previous paragraph. The United States reserves, and this Settlement Agreement is without prejudice to, all rights against the Debtor with respect to all other matters, and specifically with respect to: liability for damages for injury to, destruction of, or loss of natural resources; liability for response costs that have been or may be incurred by federal agencies which are trustees for natural resources; claims based on a failure by the Debtor to meet a requirement of this Settlement Agreement; and claims for any site other than the Abby Street or Rasmussen Sites.
- viii. With regard to claims for contribution against the Debtor for matters addressed in this Settlement Agreement, the Debtor is entitled to such protection from contribution actions or claims as is provided by CERCLA Section 113(f)(2), 42 U.S.C. § 9613(f)(2).
- ix. The Debtor covenants not to sue and agrees not to assert any claims or causes of action against the United States with respect to the Abby Street or Rasmussen Sites, including but not limited to: any direct or indirect claim for reimbursement from the Hazardous Substance Superfund, any claims for contribution against the United States, its departments, agencies or instrumentalities, and any claims arising out of response activities at the Abby Street or Rasmussen Sites. Nothing

in this Settlement Agreement shall be construed to constitute preauthorization of a claim within the meaning of Section 111 of CERCLA, 42 U.S.C. § 9611 or 40 C.F.R. § 300.700(d).

- x. Nothing in this Settlement Agreement shall be construed to create any rights in, or grant any cause of action to, any person not a party to this Settlement Agreement.
- xi. Debtor's entry into this Settlement Agreement will be subject to Bankruptcy Court approval pursuant to Bankruptcy Rule 9019. Debtor agrees to exercise its best efforts to obtain the approval of the Bankruptcy Court. This Settlement Agreement will also be submitted for public comment following notice of the Settlement Agreement in the Federal Register. The United States reserves the right to withdraw or withhold its consent if the public comments regarding the Settlement Agreement disclose facts or considerations which indicate that the Settlement Agreement is inappropriate, or improper, or inadequate.
- xii. If this Settlement Agreement is not authorized and approved by the Bankruptcy Court, this Settlement Agreement shall be of no force and effect, whereupon nothing herein shall be deemed an admission of any fact or waiver of any right of either party with respect to the matters contained herein.
- xiii. This Settlement Agreement represents the complete agreement of the parties hereto on the matters referred to herein and supersedes all prior agreements, understandings, promises and representations made by the parties hereto concerning the subject matter hereof. This Settlement Agreement may not be amended, modified or supplemented, in whole or in part, without the prior written

consent of the parties hereto and the approval of the Bankruptcy Court.

FOR THE UNITED STATES OF AMERICA

Date 10.16.03

THOMAS L. SANSONETTI
Assistant Attorney General
Environment and Natural Resources Division
U.S. Department of Justice

Date October 7, 2003


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SARAH D. HIMMELHOCH
Environmental Enforcement Section
U.S. Department of Justice


Date October 7, 2003

JENNIFER LUKAS-JACKSON
Environmental Enforcement Section
U.S. Department of Justice

Date 10-23-03

 THOMAS SKINNER
Regional Administrator
U.S. EPA, Region 5

Date 10/29/03

 JOSE de LEON
Assistant Regional Counsel
U.S. EPA, Region 5

FOR DEBTORS:

Date

Name of Defendant/Debtor

Address

Telephone Number

By:

Name of Officer (please type or print)

Signature of Officer

Title